

AMENDED IN ASSEMBLY APRIL 19, 2010

CALIFORNIA LEGISLATURE—2009—10 REGULAR SESSION

ASSEMBLY BILL

No. 2651

Introduced by Assembly Member Knight

February 19, 2010

~~An act to add Section 998.4055 to the Military and Veterans Code, relating to veterans. An act to amend Sections 16757 and 16773 of the Government Code, to amend Sections 998.402 and 998.404 of, and to add Section 988.6 to, the Military and Veterans Code, relating to veterans.~~

LEGISLATIVE COUNSEL'S DIGEST

AB 2651, as amended, Knight. Veterans farm and home ~~purchases:~~ *bond acts*.

Existing law authorizes the Department of Veterans Affairs to provide home and farm purchase loans to veterans and to utilize the proceeds from state general obligation bonds issued and sold for these purposes.

This bill would create in the State Treasury a revolving special fund known as the Veterans' Bonds Payment Fund, which moneys would be used solely to pay debt service, as defined, on bonds issued pursuant to all veterans farm and home purchase bond acts, as specified, and all moneys in this fund would be continuously appropriated for this purpose. The bill would also authorize moneys in the Veterans' Bonds Payment Fund to be transferred to an account within the Refunding Escrow Fund, as prescribed.

The Veterans' Bond Act of 2008 (hereafter the act) authorizes, for purposes of financing a specified program for farm, home, and mobilehome purchase assistance for veterans, the issuance, pursuant to the State General Obligation Bond Law, of bonds in the amount of

\$900,000,000. The act requires specified payments required to be remitted for the payment of debt service on the bonds in each fiscal year, to be transferred to the General Fund to pay the debt service on all of the money in the fund.

This bill would instead require those payments to be transferred to the Veterans' Bonds Payment Fund, rather than to the General Fund.

Existing law requires the proceeds of each sale of bonds, and the amount that may have been paid as accrued interest on the bonds, to be paid over by the Treasurer into the fund. Under existing law, all money deposited in the fund that is derived from premium and accrued interest on bonds sold is required to be reserved in the fund and available for transfer to the General Fund, as provided, except that amounts derived from premiums on the bonds may be used to pay costs of issuance of the bonds, as specified, prior to transfer to the General Fund.

This bill would provide that the moneys described above that are deposited in the Veterans' Farm and Home Building Fund of 1943 shall be available for transfer to the Veterans' Bond Payment Fund.

Under existing law, whenever any payment of principal of any bonds becomes due, either upon the maturity of any of the bonds or upon the redemption thereof prior to maturity, and whenever any interest on any of the bonds falls due, warrants shall be drawn against the appropriation made by the bond act from the General Fund by the Controller in favor of the Treasurer, or state fiscal agents, or other duly authorized agents, pursuant to claims filed with the Controller by the Treasurer, in the amounts falling due.

This bill would provide that for any of the above payments, with respect to any bonds issued pursuant to a veterans farm and home purchase account, the Controller shall first draw warrants against the Veterans' Bond Payment Fund, and, to the extent moneys in the fund are insufficient to pay the amount due, shall draw warrants against the General Fund.

~~The acts authorizing the various bonds issues for these purposes require the Controller to pay, from the General Fund, the principal and interest on the bonds when due, and to be reimbursed for those costs from the Veterans' Farm and Home Building Fund of 1943.~~

~~This bill would authorize the Controller to establish a zero-balance account within the General Fund and to transfer to that account, from the Veterans' Home Building Fund of 1943, those amounts necessary~~

to pay from the General Fund the principal and interest on the bonds as it comes due.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 *SECTION 1. Section 16757 of the Government Code is*
2 *amended to read:*

3 16757. (a) The proceeds of each sale of bonds, and the amount
4 that may have been paid as accrued interest on the bonds, shall be
5 forthwith paid over by the Treasurer into the fund.

6 (b) All money deposited in the fund pursuant to this section that
7 is derived from premium and accrued interest on bonds sold shall
8 be reserved in the fund and shall be available for transfer to the
9 General Fund as provided in the bond act, except that amounts
10 derived from premium on the bonds may be used to pay costs of
11 issuance of the bonds, as provided in Section 16724.5, and in
12 subdivisions (d) and (e) of Section 16727, prior to transfer to the
13 General Fund. *Moneys described in the prior sentence that are*
14 *deposited in the Veterans' Farm and Home Building Fund of 1943,*
15 *created by Section 988 of the Military and Veterans Code, shall*
16 *be available for transfer to the Veterans' Bond Payment Fund*
17 *created pursuant to Section 988.6 of the Military and Veterans*
18 *Code.*

19 *SEC. 2. Section 16773 of the Government Code is amended to*
20 *read:*

21 16773. Whenever any payment of principal of any bonds shall
22 become due, either upon the maturity of any of the bonds or upon
23 the redemption thereof prior to maturity, and whenever any interest
24 on any of the bonds shall fall due, warrants shall be drawn against
25 the appropriation made by the bond act from the General Fund by
26 the ~~State~~ Controller in favor of the ~~State~~ Treasurer, or state fiscal
27 agents, or other duly authorized agents, pursuant to claims filed
28 with the ~~State~~ Controller by the ~~State~~ Treasurer, in the amounts so
29 falling due. *For any such payments with respect to any bonds*
30 *issued pursuant to a veterans farm and home purchase account*
31 *adopted pursuant to the Military and Veterans Code, the Controller*
32 *shall first draw warrants against the Veterans' Bonds Payment*
33 *Fund created by Section 988.6 of the Military and Veterans Code,*

1 *and, to the extent moneys in that fund are insufficient to pay the*
2 *amount due, shall draw warrants against the General Fund.*

3 *SEC. 3. Section 988.6 is added to the Military and Veterans*
4 *Code, to read:*

5 *988.6. (a) There is hereby created in the State Treasury a*
6 *revolving special fund known as the Veterans' Bonds Payment*
7 *Fund. All moneys in this fund shall be used solely to pay debt*
8 *service, as this term is defined in subdivision (c) of Section 998.404,*
9 *on bonds issued pursuant to all veterans farm and home purchase*
10 *bond acts pursuant to this chapter, and all moneys in this fund are*
11 *continuously appropriated for this purpose.*

12 *(b) All moneys in the Veterans' Bonds Payment Fund are*
13 *necessary for immediate use and no amounts of this fund shall be*
14 *considered "surplus money," for the purposes of Section 16470*
15 *of the Government Code.*

16 *(c) Moneys in the Veterans' Bonds Payment Fund shall be used*
17 *solely as described in subdivision (a), and therefore no moneys in*
18 *that fund shall be transferred for use as described in subdivision*
19 *(a) of Section 16310.*

20 *(d) Moneys in the Veterans' Bonds Payment Fund may be*
21 *transferred to an account within the Refunding Escrow Fund*
22 *created by Section 16784 of the Government Code.*

23 *SEC. 4. Section 998.402 of the Military and Veterans Code is*
24 *amended to read:*

25 *998.402. As used herein, the following words have the*
26 *following meanings:*

27 *(a) "Board" means the Department of Veterans Affairs.*

28 *(b) "Bond" means veterans' bond, a state general obligation*
29 *bond, issued pursuant to this article adopting the provisions of the*
30 *State General Obligation Bond Law.*

31 *(c) "Bond act" means this article authorizing the issuance of*
32 *state general obligation bonds and adopting the State General*
33 *Obligation Bond Law by reference.*

34 *(d) "Committee" means the Veterans' Finance Committee of*
35 *1943, established by Section 991.*

36 *(e) "Fund" means the Veterans' Farm and Home Building Fund*
37 *of 1943, established by Section 988.*

38 *(f) "Payment Fund" means the Veterans' Bonds Payment Fund*
39 *established by Section 988.6.*

1 *SEC. 5. Section 998.404 of the Military and Veterans Code is*
2 *amended to read:*

3 998.404. (a) All bonds authorized by this article, when duly
4 sold and delivered as provided herein, constitute valid and legally
5 binding general obligations of the State of California, and the full
6 faith and credit of the State of California is hereby pledged for the
7 punctual payment of both principal and interest thereof.

8 (b) There shall be collected annually, in the same manner and
9 at the same time as other state revenue is collected, a sum of
10 money, in addition to the ordinary revenues of the state, sufficient
11 to pay the principal of, and interest on, these bonds as provided
12 herein, and all officers required by law to perform any duty in
13 regard to the collection of state revenues shall collect this additional
14 sum.

15 (c) On the dates on which funds are to be remitted pursuant to
16 Section 16676 of the Government Code for the payment of debt
17 service on the bonds in each fiscal year, there shall be transferred
18 to the ~~General~~ *Payment* Fund to pay the debt service all of the
19 money in the fund, not in excess of the amount of debt service
20 then due and payable. If the money transferred on the remittance
21 dates is less than debt service then due and payable, the balance
22 remaining unpaid shall be transferred to the General Fund out of
23 the fund as soon as it shall become available, together with interest
24 thereon from the remittance date until paid, at the same rate of
25 interest as borne by the bonds, compounded semiannually.
26 Notwithstanding any other provision of law to the contrary, this
27 subdivision shall apply to all veterans farm and home purchase
28 bond acts pursuant to this chapter. This subdivision does not grant
29 any lien on the fund or the moneys therein to the holders of any
30 bonds issued under this article. For the purposes of this subdivision,
31 “debt service” means the principal (whether due at maturity, by
32 redemption, or acceleration), premium, if any, or interest payable
33 on any date with respect to any series of bonds. This subdivision
34 shall not apply, however, in the case of any debt service that is
35 payable from the proceeds of any refunding bonds.

36 ~~SECTION 1. Section 998.4055 is added to the Military and~~
37 ~~Veterans Code, immediately following Section 998.405, to read:~~

38 ~~998.4055. Notwithstanding any other law, the Controller may~~
39 ~~establish a zero-balance account in the General Fund and transfer~~
40 ~~to that account, from the Veterans Home Building Fund of 1943,~~

- 1 ~~those amounts that are necessary to pay from the General Fund~~
- 2 ~~the principal and interest that is due and payable on bonds issued~~
- 3 ~~pursuant to this article.~~

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